

Message Text

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EUR-12 IO-03 AID-05 IGA-01 EB-03

SAM-01 H-01 INR-05 L-01 PM-03 PRS-01 SP-02 SCCT-01

SWF-01 NSC-05 INRE-00 SSO-00 NSCE-00 DODE-00 CIAE-00

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FM AMCONSUL LOURENCO MARQUES

TO SECSTATE WASHDC IMMEDIATE 3057

INFO AMEMBASSY BLANTYRE PRIORITY

AMCONSUL CAPE TOWN PRIORITY

AMEMBASSY DAR ES SALAAM PRIORITY

AMEMBASSY GABORONE PRIORITY

AMEMBASSY LISBON PRIORITY

AMEMBASSY LONDON PRIORITY

AMCONSUL LUANDA PRIORITY

AMEMBASSY LUSAKA PRIORITY

AMEMBASSY MBABANE PRIORITY

AMEMBASSY NAIROBI PRIORITY

AMEMBASSY PARIS PRIORITY

AMEMBASSY PRETORIA PRIORITY

ASMISSION USUN PRIORITY 248

CINCLANT FOR POLAD PRIORITY

CINCEUR PRIORITY

C O N F I D E N T I A L SECTION 1 OF 2 LOURENCO MARQUES 1054

LIMDIS

CAPETOWN FOR EMBASSY, LONDON FOR HAVERKAMP, MBABANE FOR WARD,
PARIS FOR MELONE

FOR STATE AND AID FROM ASST SECY EASUM

E.O. 11652: GDS

TAGS: PINT, PFOR, EAID, EFIN, EAGR, MZ

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SUBJECT: MEETING WITH PRIME MINISTER OF MOZAMBIQUE

REF: (A) STATE 251859; (B) LOURENCO MARQUES 1052
(C) PRETORIA 5032; (D) LOURENCO MARQUES 615

SUMMARY: IN 3-HOUR MEETING WITH PRIME MINISTER CHISSANO AND MINISTERS, WE REVIEWED MOZAMBIQUE'S CURRENT ECONOMIC SITUATION, HEARD DETAILED RATIONALE FOR SHORT-TERM US ASSISTANCE AND REVIEWED LONGER TERM ECONOMIC DEVELOPMENT PRIORITIES. CHISSANO STATED IN MODERATE BUT FRANK TERMS THAT FOR 10 YEARS HE AND HIS COLLEAGUES IN FRELIMO HAD CONDUCTED STRUGGLE FOR INDEPENDENCE WHICH THEY FELT THE UNITED STATES HAD OBSTRUCTED. AS A RESULT US HAD AN IMAGE AMONGST FRELIMO LEADERS WHICH WAS QUITE NEGATIVE (AS PRESIDENT SAMORA MACHEL HAD EXPLAINED TO ME). THIS MEETING WAS A BREAK WITH THE PAST WHICH ENTAILED A MAJOR POLITICAL STEP AND RISK FOR FRELIMO, WHICH WOULD BE SUBJECT TO CRITICISM FROM THOSE OF ITS FRIENDS WHO HAD STOOD BY IT DURING DIFFICULT DAYS. LATTER WOULD NO DOUBT POINT TO FACT THAT FIRST HIGH OFFICIAL OF MAJOR POWER RECEIVED BY FRELIMO-LED GOVERNMENT WAS AN AMERICAN. NEVERTHELESS, WHAT WAS IMPORTANT WAS FUTURE RELATIONS AND IT WAS IN THAT CONTEXT THAT HIS GOVERNMENT WELCOMED MY VISIT AND LOOKED FORWARD TO OUR COLLABORATION IN THE FUTURE. AFTER THOROUGH REVIEW OF ECONOMIC PROBLEMS, WE AGREED ON USEFULNESS OF US ECONOMIC STUDY TEAM VISITING MOZAMBIQUE AROUND MID-JANUARY, BUT MEANWHILE CHISSANO EMPHASIZED IMMEDIATE URGENCY OF SYMPATHETIC USG CONSIDERATION OF SHORT-TERM AID THAT WAS NEEDED RIGHT NOW TO MEET SEVERE ECONOMIC SHORTAGES AND HUNGER IN MOZAMBIQUE.

1. THOSE PARTICIPATING IN THE MEETING WERE: ON US SIDE - MYSELF, CONSUL GENERAL WALKER AND CONSUL REED; ON MOZAMBIQUE SIDE - PRIME MINISTER, MINISTER OF ECONOMIC COORDINATION GRACA, MINISTER OF PUBLIC WORKS ALCANTARA SANTOS, MINISTER OF TRANSPORTATION AND COMMUNICATIONS PICOLO, MINISTER OF HEALTH DR. PAULINO AND MINISTER OF EDUCATION NDOBE.

2. AT CHISSANO'S REQUEST, I LED OFF, MAKING STATEMENT OF FULL USG SUPPORT FOR DECOLONIZATION OF PORTUGUESE AFRICA. POINTED OUT US HAS NO SPECIAL INTERESTS IN MOZAMBIQUE AND STATED WE HOPED DEVELOP MUTUALLY BENEFICIAL RELATIONS WITH NEW GOVERNMENT. US PRIVATE INVESTMENT AND TRADE COULD MAKE CONFIDENTIAL

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AN EFFECTIVE CONTRIBUTION IN ACCORDANCE WITH HOST COUNTRY'S PRIORITIES AND REGULATIONS. IN ADDITION, USG WOULD CONSIDER HOW TO MAKE USEFUL CONTRIBUTION TO MOZAMBIQUE'S ECONOMIC NEEDS IF REQUESTED AND IF MUTUALLY BENEFICIAL METHODS COULD BE FOUND. EMPHASIZED US WORLD-WIDE ECONOMIC ASSISTANCE PROGRAM WAS LIMITED AND UNDER PRESSURE AT A TIME WHEN US HAD OWN ECONOMIC PROBLEMS. REPEATED, AS I HAD TOLD SAMORA MACHEL, THAT WE WOULD BE WILLING TO SEND A STUDY TEAM TO MOZAMBIQUE

IF PRIME MINISTER BELIEVED THIS WOULD BE USEFUL.

3. CHISSANO REPLIED THAT MOZAMBIQUE GOVERNMENT WAS BY NECESSITY PREOCCUPIED WITH VERY SHORT-TERM URGENT PROBLEMS. ECONOMIC SITUATION MUST BE STABILIZED AND THREAT OF STOPPAGE OF AGRICULTURAL-INDUSTRIAL PRODUCTION AND HUNGER Owing TO LACK OF FOREIGN EXCHANGE MUST TAKE PRIORITY OVER LONGER TERM DEVELOPMENT PROJECTS.

4. MINISTER OF ECONOMIC COORDINATION GRACA SATED MOZAMBIQUE'S CAPACITY TO PAY FOR IMPORTS WAS DOWN TO ABOUT ONE WEEK (IMPORTS ARE BEING COVERED SOLELY BY EXPORT EARNINGS). EXODUS PORTUGUESE TECHNICIANS WAS BEING ACCELERATED BECAUSE MOZAMBIQUE GOVERNMENT DID NOT HAVE FOREIGN EXCHANGE TO ALLOW THEM TO TRANSFER PART OF THEIR EARNINGS HOME. MOST IMMEDIATE NEED WAS FOR WHEAT. MOZAMBIQUE HAD ORDERED 16,000 TONS OF WHEAT FROM US (AT ROUGHLY 4 MILLION DOLLARS) WHICH REPRESENTED 50 DAYS' SUPPLY. US SUPPLIERS HAD REFUSED CONSIDER ANYTHING BUT CASH ON THE BARREL-HEAD. CURRENT FOREIGN EXCHANGE EARNINGS, IF DIVERTED TO BUY WHEAT, WOULD RESULT IN EMERGENCY SHORTAGES OF PETROLEUM AND OTHER VITAL IMPORTS.

5. WE EXPLAINED THAT STRAIGHT BALANCE OF PAYMENT LOANS WERE ALMOST IMPOSSIBLE AND THERE WERE SERIOUS LIMITATIONS ON COMMODITY LOANS. WHEN ASKED IF FRELI MO LEADERS OR TRANSITIONAL GOVERNMENT HAD APPROACHED ARAB COUNTRIES FOR ASSISTANCE IN CONNECTION WITH OIL IMPORTS, PRIME MINISTER STATED THEY HAD NOT YET DONE SO. (LOCAL BANKING SOURCE TOLD US LATER HE UNDERSTOOD FRELI MO IN DAR-ES-SALAAM WAS IN PROCESS OF MAKING SUCH APPROACH. EMBASSY DAR MIGHT WISH TO COMMENT.) CHISSANO ALSO STATED THAT THEY HAD NOT APPROACHED IBRD OR IMF, AS THIS WOULD BE APPROPRIATE ONLY WHEN THEY BECAME INDEPENDENT AND HAD

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DEVELOPMENT PROGRAM ORGANIZED. (HE ADDED THAT THESE SORT OF CONTACTS WERE BEING HANDLED BY FRELI MO OUT OF DAR, WHICH MAY EXPLAIN HIS APPARENT IGNORANCE RE HIGH COMMISSIONER'S EARLIER STATEMENT TO ME THAT FRELI MO WAS IN CONTACT WITH IBRD MISSION IN LISBON.) LATER, HOWEVER, HE SAID UNDP GROUP WOULD BE VISITING DAR AND LOURENCO MARQUES IN NEXT TWO WEEKS. WE ASKED TO BE KEPT INFORMED ON RESULTS OF SUCH CONTACTS. (WOULD ALSO APPRECIATE ANY INFO FROM EMBASSIES DAR AND LISBON.)

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EUR-08 IO-03 AID-07 IGA-01 EB-03

SAM-01 H-01 INR-05 L-01 PM-03 PRS-01 SP-02 SCCT-01

SWF-01 NSC-05 NSCE-00 INRE-00 SSO-00 DODE-00 CIAE-00

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FM AMCONSUL LOURENCO MARQUES

TO SECSTATE WASHDC IMMEDIATE 3058

INFO AMEMBASSY BLANTYRE PRIORITY

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PARIS FOR MELONE

FOR STATE AND AID FROM ASST SECY EASUM

6. MOZAMBICAN SIDE EXPLAINED THAT AT LEAST SUBSTANTIAL PART OF
ASSISTANCE WHICH WAS NEEDED TO SUPPLEMENT CURRENTLY GENERATED
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FOREIGN EXCHANGE EARNINGS, FINANCES ESSENTIAL IMPORTS AND

PREVENT ECONOMIC CRISIS WOULD HAVE TO BE FOUND IMMEDIATELY.
THEY REALIZED US IN POSITION PROVIDE ONLY PART OF WHAT THEY
NEEDED. MOST ESSENTIAL WAS MEANS TO COVER WHEAT SHIPMENT.

7. IN ADDITION TO PURELY ECONOMIC/FINANCIAL ASPECTS OF FOREIGN EXCHANGE CRISIS, PRIME MINISTER EMPHASIZED HUNGER AND STARVATION DEVELOPING IN BEIRA REGION AND OTHER PARTS OF THE NORTH OWING TO SEVERE FLOODS LAST SPRING AND SUBSEQUENT DROP FAILURE. THIS WAS PRIMARY REASON FOR IMMEDIATE NEED FOR WHEAT OR OTHER COMMODITY LOAN. (REF C CITES SAG MIN AG STATEMENT THAT SOUTH AFRICA EXPECTS BE SENDING ROUGHLY 2,000 - 3,000 METRIC TONS SHORTLY.)

8. LENGTHY REVIEW OF LONGER TERM ECONOMIC DEVELOPMENT NEEDS WILL BE SUMMARIZED IN SEPTEL. HOWEVER, WHILE NOT PRETENDING TO BE ECONOMIC EXPERTS, IT SEEMS CLEAR TO US THAT THERE ARE FIELDS WHERE WE COULD HELP, EITHER BY INCORPORATING MOZAMBIQUE IN ON-GOING REGIONAL PROGRAMS OR BY SECTORAL PROJECTS IN SUCH FIELDS AS FOOD AND NUTRITION, HEALTH, PORT MANAGEMENT AND EDUCATION. MOREOVER, IN DEVELOPMENT FIELD MUCH OF TRANSITIONAL GOVERNMENT'S THINKING IS IN TERMS OF AID TO LARGE NUMBERS OF PEOPLE, RATHER THAN EXPENSIVE CAPITAL PROJECTS, AND THUS CONFORMS TO CURRENT AID LEGISLATION PHILOSOPHY.

9. WHEN WE DISCUSSED EXTERNAL DEBT QUESTION, ONE FACET OF THIS PROBLEM EMERGED OF WHICH WE WERE UNAWARE. ECONOMIC MINISTER GRACA EXPLAINED THAT 1/8 OF DOLS 645 MILLION EXTERNAL DEBT (OR \$80 MILLION) WAS OWED TO US, MAINLY FOR PURCHASE OF BOEING AIRCRAFT AND DIESEL LOCOMOTIVES. LATTER WERE TO HAVE BEEN FINANCED BY EXIMBANK BUT EXIM LOAN AGREEMENT HAS NEVER BEEN SIGNED, ALTHOUGH LOCOMOTIVES HAVE ARRIVED AND MOZAMBIQUE IS PAYING HIGH RATE OF INTEREST TO COMMERCIAL BANKS. (REF D) HE STRESSED MOZAMBIQUE WAS CONTINUING MARKET FOR US AVIATION AND TRANSPORT EQUIPMENT.

10. I REPLIED TO PRIME MINISTER'S SUMMING UP BY STATING THAT I WOULD REPORT HIS URGENT REQUEST FOR SHORT-TERM ASSISTANCE TO WASHINGTON AND THAT THE INFORMATION THEY HAD GIVEN US WOULD ASSIST US IN SELECTING THE MEMBERS OF AN ECONOMIC STUDY TEAM WHICH MIGHT BE SENT IN MID-JANUARY. I ASSURED
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HIM THAT WE UNDERSTOOD THE IMPORTANT STEP WHICH THIS MEETING REPRESENTED FOR THE TRANSITIONAL GOVERNMENT AND OUR MUTUAL RELATIONS WITH A FUTURE INDEPENDENT MOZAMBIQUE AND THAT WE WOULD EXPLORE POSSIBILITIES OF SOME FORM OF SHORT-TERM ASSISTANCE WITHIN THE SEVERE LIMITATIONS I HAD ALREADY OUTLINED.

11. COMMENT: WE DID NOT HAVE AN A.I.D. REPRESENTATIVE AT

MEETING AND NONE OF US WAS COMPLETELY UP-TO-DATE ON STATUS OF ON-GOING REGIONAL AND SELECTED COUNTRY PROGRAMS IN AFRICA OR SUCH FORMS OF SHORT-TERM ASSISTANCE AS COMMODITY LOANS (INCLUDING FALL OUT MONEY FROM SUCH COUNTRIES AS ETHIOPIA AND GHANA) OR DISASTER RELIEF WHICH MIGHT BE UTILIZED TO ALLEVIATE AT LEAST PART OF MOZAMBIQUE'S PRESENT ECONOMIC DIFFICULTIES. I FEEL STRONGLY, HOWEVER, THAT PRIME MINISTER CHIASSANO'S REMARKS ILLUSTRATE THAT WE ARE INDEED AT A TURNING POINT IN OUR RELATIONSHIP. I BELIEVE SOME FORMULA MUST BE FOUND TO PROVIDE A FORTHCOMING RESPONSE TO THE TRANSITIONAL GOVERNMENT'S REQUEST FOR HELP, ESPECIALLY SOME DEVICE FOR ENABLING THEM TO PURCHASE THE WHEAT ON ORDER FROM THE US; JUST TO GIVE SOME EXAMPLES, IN ADDITION TO THOSE MENTIONED ABOVE, SHORT-TERM COMMODITY CREDIT CORPORATION FINANCING; EXIMBANK AND/OR FCIA SHORT-TERM FINANCIAL GUARANTEE FOR CREDIT FROM US PRIVATE BANK FOR TRANSACTION; US BROKER WILLING TO FINANCE WHEAT OPERATION AGAINST GUARANTEE FROM MOZAMBIQUE GOVERNMENT TO PROVIDE EQUIVALENT VALUE OF CASHEWS BROKER WOULD HAVE LITTLE PROBLEM FINDING BUYER. NOW IS THE MOMENT TO SEIZE THE OPPORTUNITY WE HAVE BEEN OFFERED TO SET A BASIS FOR A MUTUALLY BENEFICIAL FUTURE RELATIONSHIP WITH FRELIMO-LED GOVERNMENT AND INDEPENDENT MOZAMBIQUE. I LOOK FORWARD TO DISCUSSING THESE PROBLEMS WITH DEPARTMENT AND A.I.D. UPON MY RETURN.

WALKER

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Message Attributes

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From: LOURENCO MARQUES
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